

K-Fast Holding AB (publ): Year End report January-December 2023

***The number of apartments under property management increased by 1,168. Business segment Construction handed over 806 apartments to property management during the fourth quarter which is a record.**

***Strengthening of the balance sheet through a new issue during 2023 and ongoing processes to divest a housing property portfolio in Denmark and commercial premises and housing properties in Sweden that is not built in accordance with our concepts. This to enable construction starts of our concept houses and acquisitions of building rights which creates most value for the company.**

***About SEK 331 million in profit settlement in ongoing construction, shown as unrealized values, during 2023 which helps to meet decreased values due to falling valuations of completed properties.**

Financial ratios for the full year 1 January–31 December 2023 (corresponding period in 2022)

- Rental income: SEK 480.2 million (384.2)
- Profit from property management: SEK 108.3 million (130.7)
- Profit for the period: SEK -398.1 million (907.4)
- Net investments in investment properties: SEK 2,226.8 million (2,707.0)
- Investment properties: SEK 14,870.9 million (13,094.6)
- Long-term net asset value (NAV): SEK 5,803.5 (5,768.3)
- Number of apartments under management: 4,876 (3,708)
- Number of construction starts, apartments: 450 (1 125)
- Number of apartments under construction: 1,549 (2,171)
- Number of apartments under project development: 4,176 (4,346)
- Interest coverage ratio (year): 1.7 multiple (2.2)
- Equity/assets ratio: 30.3% (33.9)
- Debt-to-equity ratio: 60.2% (55.4)
- Profit from property management per share: SEK 0.49 per share* (0.61)
- Long-term net asset value (NAV) per share: SEK 24.25 per share* (26.79)
- Growth in profit from property management per share: -19.3%* (28.9)
- Growth in long-term net asset value (NAV) per share: -9.5%* (15.9)
- Earnings per share*/**: SEK -1.96 per share (4.13)

* Adjusted for new issue of 24,000,000 Class B shares as of 28 September and 24 October 2023.

** There are no potential shares (e.g. convertibles in the company, and accordingly no dilution effect).

A message from the CEO

The fourth quarter was an intense period for K-Fastigheter. The Construction business area completed 806 apartments in the final three months of the year. This was a record for the operations, and can be compared to 726 apartments completed by the business area for all



of 2022. In addition, completion and moving in continued in January 2024 for a number of apartments. We were able to welcome many tenants into their new homes, one of the most enjoyable aspects of working in the property sector.

At the same time, we cannot shy away from the fact that some locations face challenging conditions. This has meant that some projects have excessively high vacancies on moving in, which impact our vacancies as we have expanded rapidly and completed many projects in a short period of time. We are working hard to adjust this imbalance. In this context, I would like to emphasize that succession letting is making positive progress, and that the higher vacancies are due to high levels and delays in different new production projects. New production projects also means that, in some cases, tenancies stipulate moving in at a later date than on completion. Reducing the number of vacancies is a priority, and this will take some time to resolve fully. The prospects for achieving this are good in the first half-year, as we anticipate a more steady rate of completions for new projects, i.e. less concentrated than during the final quarter of 2023. This improves the conditions for our letting operations.

During the year, our portfolio expanded by 1,168 apartments, and by the end of the year we had 4,876 apartments under management. This represents an increase of an incredible 31 percent on the previous year. At the end of the year, rental values totaled SEK 661 million, an increase of 35 percent over the year. The increase was over 26 percent in the final quarter, indicating the high rate of completion in the concluding months of the year. In terms of market value, as much as 66 percent of the property holding as of 31 December 2023 was constructed after 2020. As previously stated, some tenants moved in during January, which means that they were not included in the full-year figures for 2023. As of the date of this report, K-Fastigheter had a holding of 4,999 apartments with a rental value of SEK 677 million under management. As we eliminate our remaining vacancies, the surplus ratio and profit from property management will increase.

Approximately 80 percent of our property holding is excluded from collective rent negotiations. In this part of the holding, rents increased by 5.45 percent on January 1, 2024. For the part of the holding subject to collective rent negotiations, rent increases were just under 5 percent. The cost increases that have arisen were not fully covered, including when these rent increase are taken into account. I anticipate that this will be compensated for, but that it will take place over time. This will also contribute to improved profit from property management.

Interest rates are now stabilizing. In addition, lower base rates can now be expected earlier than forecast, in line with the Riksbank's statement on interest rates from early February. This is a positive development that provides the property and construction sector a new normal to proceed from. K-Fastigheter remains aligned with around a dozen banks, entirely without bond financing. At the end of the quarter, 91 percent of our interest-bearing liabilities related to acquisition financing, with completed investment and business properties hedged at an average interest rate of 3.22 percent. The average interest period was 3.5 years.

There is still extensive underlying demand for new housing in Sweden, and my faith in rental apartments remains solid. Through our efficient process for controlling the construction chain from foundation to finished home, K-Fastigheter is able to continue to start new construction projects even in the current climate, while simultaneously satisfying our direct return requirement. We are continuing to strengthen our Balance Sheet in order to start new construction projects and capitalize on opportunities to acquire building rights as they arise. For our part, it is a strategic choice to prioritize new construction of our own



concept buildings ahead of management of commercial properties and residential properties not constructed according to our proprietary concepts. Accordingly, the ongoing divestment of the portfolio of four properties in the Copenhagen region continues and we expect to divest the portfolio in the second quarter of 2024. We have also appointed advisors to assist with the divestment of a number of non-strategic holdings in Sweden focused on commercial premises, as well as a few residential properties that are not our own concept buildings. In the quarter, we divested the office property Rådhuset 6 in Helsingborg and, after the end of the quarter, we divested two preschools and a residential care home, as well as entering into a new agreement relating to the divestment of one fifth of our holding in Mjölby Entreprenad. Alongside the new issue completed in fall 2023, this ensures the right conditions are in place for K-Fastigheter's continued expansion and development.

The market value of our existing properties was marginally negatively affected in the final quarter. Rent increases ahead of 2024 contributed to limiting the downturn. A high rate of completions, new construction starts and acquisitions of building rights ensure that property values are increasing despite the lower valuations. In total, we increased property values by just over 14 percent in 2023, to close to SEK 15 billion. Our efficient process involving concept buildings generates significant unrealized values in ongoing new construction. This represents a strength in more challenging market conditions. For the sake of clarity, I would like to emphasize that our valuations are undertaken by an external valuer on a quarterly basis.

We are continuing to gradually adapt operations in the Prefab business area in order to meet the volumes required over the coming months. Our order book for the coming year could be described as imbalanced. In the short term, we face a tough period with lower capacity utilization, followed by a rapid increase in activity during the second half of 2024. This follows successful sales efforts with several major key contracts signed, including agreements for residential properties at Orminge Torg in Nacka, and premises for Fortifikationsverket at LV6 i Halmstad. Production levels in the second half of the year can be described as similar to those prevailing before the market downturn started. By gradually adapting operations, we expect to satisfy increased volumes in the second half of the year through efficient operations, a sharper customer focus, as well as collaboration and optimization between our production plants. The sharp slowdown in housing construction in Sweden has implied increased diversification in the Prefab operations, which is illustrated by our ability to deliver for projects in areas such as infrastructure, defense facilities and properties for public use. Overall, I am confident about Prefab's operations with our own volumes as the foundation, plus deliveries to external customers over and above that.

At the end of the year, our financial and operational targets expired. I am able to conclude that we succeeded in achieving most of the targets over an economic cycle. Net asset value has increased by 378 percent since the reference year 2018, and annual growth per share was 25 percent. Profit from property management increased by 163 percent and annual growth per share was 10 percent, which was below our target. For all years, we exceeded the minimum level for equity/assets and debt-to-equity, while our interest coverage ratio of 1.7 at the end of 2023 was slightly below our target level of 1.75. Interest coverage ratio is set to improve gradually at a pace with stronger profit from property management and normalizing sales in the Prefab business area.

With regard to our operational goals, we clearly exceeded the target of 80 percent of rental revenue derived from residential properties. The target of 1,300 annual construction starts by the end of 2023 was revised downwards to the previous target of 1,000 in connection with the Q1 report for 2023. For 2023, we did not reach our target of 1,000 construction



starts for reasons including lengthy planning approval processes and more challenging funding conditions. We started construction of a total of 450 apartments in 2023. We effectively reached our target of 5,000 apartments under management as of the date of this report, as we now have 4,999 apartments under management. This represents incredible progress, and I cannot thank all the Group's current and previous employees enough, who have all contributed to making this possible.

But we will not rest on our laurels. K-Fastigheter remains an aggressive and innovative market operator. In connection with the Interim Report 2024 for the first quarter, we will be presenting a new business plan and targets for the period 2024–2028. Our ambition is also to present these in more detail at a Capital Markets Day in Stockholm. I do not want to preempt the presentation of the new business plan, but I can say that our focus on construction and management of our proprietary concept buildings will intensify. I confidently look forward to continuing to build on our business model, which now also includes the Prefab business area in the new business plan and targets. K-Fastigheter's business model has proven strong in challenging market conditions. From this position, we can enter a more favorable market climate from a position of strength.

We strive to be an attractive employer where each individual can have an influence and opportunities for personal development within the Group. Accordingly, I am very proud that we were awarded the prize Career Company 2024. This is evidence that we are on the right path, and will help us to recruit the best and most motivated employees to join us on our development journey. A journey where we offer our tenants pleasant and secure homes in the form of rental apartments of a high standard.

- **Jacob Karlsson, February 2024**

A complete Year End report for 2023 is attached and published on: k-fastigheter.com/en/investors/financial-reports

A presentation of the earnings and operations will be published on: k-fastigheter.com/en/investors/presentations

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K-Fastigheter is much more than a property company. Through an integrated process, we build our business in the four business areas project development, prefab, construction and property management. *To enhance cost efficiency and cut construction times, K-Fastigheter has chosen to work with three concept houses, developed in-*



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house and constructed for own management. K-Fastigheter offers close to 4,900 homes from Copenhagen in the south to Gävle in the north and is continuously assessing new markets. K-Fastigheter strive to create attractive homes with a high comfort factor. The Group's property portfolio has a book value SEK 14,9 billion. Annual rental value in invest properties under management amounts to SEK 661 million. Since November 2019, the company's Class B shares have been traded on Nasdaq Stockholm under the (ticker: KFAST B). Read more at k-fastigheter.com



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